

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2173 - HB 2067

February 10, 2014

SUMMARY OF BILL: Defines “policy change” as any change to any policies, procedures or guidelines necessary to perform any functions of a state agency or to otherwise enforce or administer any laws or matters under the jurisdiction of the state agency. Effective October 1, 2014, requires any state agency proposing a policy change to submit, at least 60 days prior to implementation, written notice describing the change along with a fiscal impact support form to the Executive Director of the Fiscal Review Committee (FRC). Requires the agency, when preparing the fiscal impact support form, to determine if the proposed policy change will increase, decrease, or have no effect on state or local government revenues. If exigent circumstances, such as an unforeseen court order, require a policy change to be implemented sooner, the agency is required, not later than five days after implementation, to notify the FRC of the exigent circumstances that prevented 60-day notice. In such cases, the agency is required to provide the fiscal impact support form to the FRC within 75 days.

Requires the FRC staff, no later than 30 days, after receipt of the fiscal impact support form, to determine if the proposed policy change will increase, decrease, or have no effect on state or local government revenues or expenditures. If the FRC staff determines the policy change increases expenditures or decreases revenues of the state or any local governments, the staff shall submit written notice of its determination to the Chairs of the Finance, Ways and Means Committees of the Senate and the House of Representatives. Requires the Chairs to acknowledge receipt in writing of the notice; provided, however, that prior to acknowledging receipt, the Chairs may hold a public hearing, no later than 30 days after receipt of FRC notice, regarding the proposed policy change. Requires the FRC staff to include a fiscal impact estimate, potential staffing and other administrative aspects of the policy change, and any other information provided to the staff. Written notice is not required if the FRC staff determines the cost of the policy changes is not significant, if revenues would be increased in an amount equal or greater than expenditures resulting from implementation of the policy, or if the fiscal impact of any policy change to any local government is discretionary.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$7,700/One-Time
\$491,200/Recurring**

Increase Federal Expenditures - \$472,200

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Assumptions:

- Most departments state it is difficult to determine the impact of the proposed legislation because of the broad definition of “policy change” and the unclear definition of what would constitute “exigent circumstances.”
- According to information provided by various state departments and agencies, there are at least 6,500 new or revised policies each year.
- While several departments have responded that the additional workload could be handled within existing resources, many believe the reporting requirements would hinder the policy-making process and create delays in their overall function.
- According to the Department of Finance and Administration, Division of HealthCare Finance and Administration (HCFA), it is estimated there are 6,300 policy changes every year. Estimate assumes the HCFA will require 21 additional staff members to identify policy changes and develop the required materials for FRC staff. The recurring cost for additional staff is \$693,000 (\$33,000 for salary and benefits x 21 positions). Of that amount, \$242,100 are state funds at a rate of 34.935 percent and \$450,900 are federal funds at a match rate of 65.065 percent.
- According to the Department of Children’s Services (DCS), for the past two fiscal years, the Department had 134 policy changes. DCS will require an additional position to work with Policy and Fiscal Services staff to handle the additional requirements relating to new and revised policies. The recurring cost for an additional program specialist position is \$65,858 (\$36,300 salary + \$14,558 benefits and insurance + \$15,000 supplies, office space, and network costs). Of this amount, 45 percent (\$29,636) are TennCare funds, three percent (\$1,976) are federal Title IV-E funds, and the remaining 52 percent (\$34,246) are state funds.
- Of the TennCare funds, \$10,353 are state funds at a rate of 34.935 percent and \$19,283 are federal funds at a match rate of 65.065 percent.
- According to the Department of Mental Health and Substance Abuse Services (MHSAS), it would need an additional position with programmatic and financial analysis experience to review at least 100 policy changes per year and to determine the fiscal impact. The recurring cost for an additional position is \$81,708 (\$56,800 salary + \$19,208 benefits and insurance + \$5,700 supplies, office space, and network costs). One-time costs of \$1,800 for computer and related supplies.
- According to the Department of Labor and Workforce Development, there are 200 to 300 policy changes every year. An additional ASA 5 position would be required at a recurring cost of \$52,269 (\$36,276 salary + \$14,553 benefits and insurance + \$1,440 phone service). One-time cost of \$862 for computer and related supplies.
- With at least 6,500 policy changes each year, the FRC will require one new Fiscal Analyst 2 position at a recurring cost of \$70,482 which includes salary (\$52,296) and benefits (\$18,186) plus one-time costs of \$5,000 for computer, equipment, and related items to handle the additional workload of the proposed bill.
- The total recurring increase in state expenditures is \$491,158 (\$242,100 + \$34,246 + \$10,353 + \$ 81,708 + \$ 52,269 + \$ 70,482) and the total recurring increase in federal expenditures is \$472,159 (\$450,900 + \$ 1,976 + \$19,283). The total one-time increase in state expenditures is \$7,662 (\$1,800 + \$862 + \$5,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/lsc